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JAPANESE TRADE STUDIES

Special Industry Analysis
No. 37

RAW COTTON

Prepared for the
Foreign Economic Administration
by
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rates. In 1935-36, for example, it cost less to send Arizona and California cotton to Japan than to any other mill centers in the world. About 54 percent of the total western United States irrigated cotton shipped in that year went to the Orient. The rates per pound from Sakersfield, California, were 0.75 cent to Japan; 0.95 cent to India, England, France, or Germany; 1.0 cent to Italy; 1.06 cents to New Bedford, Mass., and 1.27 cents to Charlotte, N. C.^{1/}

The Japanese are said not to have bargained closely for price when they wanted good cotton in California and Arizona, especially if Egyptian and Uganda cottons were difficult to obtain. With their subsidized freight rates they could afford to pay more than other buyers.

Japanese cotton importers were organized into the Japan Cotton Merchants' Union (Nippon Menka Dogyo Kai). In 1940 the membership consisted of 62 firms including the Japanese offices of a number of foreign firms. In line with its policy of reorganizing the "national structure" to force production and trade into a few strong, well-financed units amalgamated according to syndicalist theory into organizations which would not only assist but which should control their members, the Government in 1940 exacted "reorganization" of the Japan Cotton Merchants' Union. After a long and bitter struggle between the Union and the Japan Cotton Spinners' Association over authority to control the restricted imports, a single Cotton Import Control Company was established in July 1941. Relatively few merchants were allowed to remain in the cotton trade, and their activity was reduced to a commission basis.

Japanese cotton mills seem seldom to have hedged their holdings of cotton by the purchase and sale of cotton futures, although the Japanese appear to be great speculators and although transactions in raw cotton futures, beginning in 1927, were allowed on the Sampo Exchange in Osaka.^{2/} Futures trading in cotton yarn, however, was active, reaching a peak in 1937 when speculation in cotton yarn was stimulated on the one hand by officially restricted production and on the other by an unusual home demand for cotton goods sustained by increasing employment in war industries and by a public fear of textile scarcities to come.

The Japanese cotton industry profited extraordinarily in one or two cotton seasons, notably 1931-32, by large speculative purchases. (See section on Trend of Raw Cotton Imports.) The scale of buying was made possible by the strong financial backing of many merchants and mills. It was customary for merchants to share their profits with the mills they served. Later when merchants were being forced out of business in a controlled market the courtesy was not reciprocated. ^{1/} <http://www.legalwonders.org/doc/e33cb4/> 1939 and 1940, were making as much or more than 20 percent profit on capital investment.

^{1/} J. W. Wright and J. R. Kennedy, U. S. Bureau of Agricultural Economics, Cotton Marketing in the Irrigated Southwest, June 1938, pp. 31 and 32.

^{2/} "Sampo" means "three commodities" which were intended to be raw cotton, cotton yarn, and cotton textiles. From 1894 to 1927, trading was confined to cotton yarn. At some later date trading in rayon was instituted. Alston H. Garsiae, Cotton Goes to Market, 1935, p. 166.

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Production

The quantity of cotton grown in Japan has been infinitesimal compared with Japanese mill requirements. In the 31 years, 1909-39, production of raw cotton in Japan proper never equaled 1 percent of consumption. From 25,000 piculs (4,000 bales) in 1909, it declined to less than 2,000 piculs (500 bales) in 1934, rising slightly in the years of restricted imports. (See column 2, table 1.)

Importance of cotton imports in Japanese economy

Raw cotton was a vital factor in the emergence of a modern economy in Japan where cotton manufacturing, as in most industrialized countries, was the first large-scale factory undertaking. With a late beginning, the Japanese cotton-spinning industry, which had attracted able men with great wealth at their disposal, reaped advantages from technical progress elsewhere. Low labor costs and a series of minor economies in organization and production, and, eventually, the opportunity of purchasing Japanese equipment, also manufactured at low labor cost, assured success. Extraordinary profits on investment were realized. Reinvestment in new equipment was stimulated by the controls adopted by the Japan Cotton Spinners' Association in attempts to maintain prices. The Association at times exacted that a percentage of the installed spindles in each mill be "sealed," but no restrictions were placed upon new installations. The result was a high level of efficiency for the spindles allowed to operate and the number of spindles in place increased each year from 1927 to 1938. Despite numerous "curtailment" periods, cotton consumption followed a generally upward trend.

First historically, cotton manufacturing also long remained the foremost manufacturing industry of Japan, and raw cotton was the principal import. Larger and larger quantities of cotton were required until expansion of the cotton industry was hampered by restrictions at home and abroad.

In the years 1928-38, the value of cotton constituted an average of about 20 percent of the total value of the import trade of Japan proper.^{1/} From the high point of 25 percent in 1934, this ratio declined to 12.5 percent in 1938. The relative importance of cotton in total merchandise imported into Japan from Empire and non-Empire areas combined is indicated in table 2.

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^{1/} Trade data relating to Japan proper include shipments from Empire areas to Japan proper under Japanese imports and shipments from Japan proper to Empire areas under Japanese exports.

Table 2.- Japan proper: Total imports of merchandise, and imports of raw cotton, 1928-38, and annual averages 1928-32 and 1933-37 - value

Period	Total merchandise	Raw cotton	Ratio of raw cotton to total
	Million yen	Million yen	Percent
Annual Average:			
1928-32 -----	2,223	451	20.3
1933-37 -----	3,414	759	22.2
Annual:			
1933 -----	2,459	611	24.8
1934 -----	2,903	739	25.5
1935 -----	3,263	727	22.3
1936 -----	3,681	861	23.4
1937 -----	4,756	858	18.0
1938 -----	3,782	444	11.7

Source: Compiled from official statistics of Japan, Korea, and Formosa.

Foreign exchange requirements for importation of cotton

The value of cotton imports into Japan proper averaged annually 451 million yen and 759 million yen in the two 5-year periods 1928-32 and 1933-37, respectively. The maximum was 861 million yen in 1936. With very little cotton coming from Empire areas, or even from China when that country was within the yen bloc, vast sums of foreign exchange were required for these purchases. Empire areas are here treated as foreign countries not so much because imports of cotton therefrom were negligible as because presumably they will not in the future belong to Japan.

The outstanding exportable surplus of Japan was raw silk, which in each of the 5 years 1928-32 ranked first in value of commodities exported and in each of the 4 years 1928-31 realized in foreign sales a value considerably greater than necessary to offset imports of cotton. In 1932 one picul of silk could purchase 20 piculs of cotton imports; by 1934 the ratio was only 1 to 10. Improvements had been made in the preparation of silk for market so that in terms of man hours the change in unit values may not have been as adverse to Japan as the statistical comparison appears. In 1934, however, the program of the United States government increased the price of cotton relative to many other commodities. With the decline in the price of raw silk, cotton attained a greater importance in Japanese economy because it furnished the raw material for the rapidly growing export trade in cotton textiles. From 1933 through 1938 exports of cotton yarn and cotton cloth, together, exceeded in value the exports of raw silk, though not the combined value of silk and silk manufactures.

1/ for details on silk see the study in this series on Raw Silk.

Table 3 shows the total value of raw cotton imports and the value of exports of raw silk and of cotton yarn and cloth in the periods under consideration in this study and the value of Japanese trade with the United States in these commodities. The United States was in most years the principal source of Japanese imports of raw cotton and in all years the most important market for Japanese raw silk.

Table 3.- Japan proper, trade with all countries and with the United States: Imports of raw cotton and domestic exports of raw silk and of cotton yarn and cloth. Value

Period	Imports of raw cotton	Domestic exports	
		Raw silk	Cotton yarn and cloth
	Million yen	Million yen	Million yen
	Trade with all countries		
Annual average:			
1928-32 -----	451	534	364
1933-37 -----	759	373	565
1939 -----	473	1/ 507	485
	Trade with the United States		
1928-32 -----	235	509	2/
1933-37 -----	367	318	10
1939 -----	3/	1/ 438	10

1/ Increased value resulted from rise in price with war demand.

2/ Less than one-half in million yen.

3/ Not available.

Source: Official trade statistics of Japan and Empire areas.

Each difference of 1 cent a pound in the price of cotton means a difference of \$5 a bale, or of \$1,320 per 1,000 piculs. The price of American Middling 15/16-inch cotton at the 10 designated spot markets on December 13, 1945, was 24.53 cents per pound, equivalent to \$122.65 per bale, or \$32,448 per 1,000 piculs. 1/

1/ American cotton is sold on a gross-weight basis; the standard bale is 500 pounds, gross.

Table 4.- Cotton, ginned: General imports into Japan proper, by principal sources, 1928-39

Year	British India ^{2/}	United States	Egypt	Brasil	China	Korea ^{3/}	Manchukuo	All other countries	Total, all countries
Quantity (1,000 picules)									
1928	4,602	3,872	176	-	4/ 1,030	114	5/	50	9,843
1929	5,136	4,485	234	-	4/ 772	118	5/	135	10,880
1930	4,725	3,883	183	-	4/ 703	176	5/	50	9,720
1931	4,807	5,321	287	-	4/ 713	85	5/	7	11,220
1932	2,741	9,102	330	-	531	86	-	10	12,800
Annual average, 1928-32	4,402	5,333	242	-	750	116	6/	50	10,893
1933	3,977	7,435	281	1	562	142	-	202	12,600
1934	5,792	6,487	550	29	328	147	7/	340	13,673
1935	5,211	5,759	537	39	423	225	16	260	12,470
1936	6,727	5,929	445	708	461	202	7/	889	15,361
1937	7,016	4,224	670	839	399	136	1	531	13,816
Annual average, 1933-37	5,745	5,967	497	323	435	170	3	444	13,584
1938	8/ 3,096	8/ 3,249	8/ 405	8/ 833	8/ 1,433	139	7/	327	9,482
1939	8/ 3,389	8/ 2,873	8/ 578	8/ 1,342	8/ 1,081	166	6/	8/ 805	10,234
Value (1,000 yen)									
1928	232,241	245,925	17,722	-	4/ 49,587	6,020	5/	4,137	555,632
1929	231,108	276,357	22,170	-	4/ 33,546	6,578	5/	9,458	579,217
1930	147,684	176,800	12,592	-	4/ 21,983	7,546	5/	2,655	369,261
1931	113,255	183,700	11,619	-	4/ 17,366	2,609	5/	175	298,724
1932	91,800	320,752	15,300	-	18,875	3,504	-	403	450,634
Annual average, 1928-32	163,218	234,707	15,881	-	28,271	5,251	6/	3,366	450,694
1933	168,790	381,655	19,085	60	24,273	6,488	-	10,605	610,956
1934	252,435	400,919	39,787	1,962	15,650	8,139	1	20,182	739,073
1935	259,037	371,952	43,009	2,318	20,652	13,471	894	15,820	727,153
1936	315,061	372,415	36,415	44,764	22,741	11,837	1	58,251	861,105
1937	363,635	306,388	58,799	56,488	23,374	8,266	38	40,867	858,015
Annual average, 1933-37	271,791	366,666	39,411	21,118	21,378	9,564	187	29,145	799,860
1938	113,331	166,414	27,529	41,366	71,780	7,994	2	15,898	444,317
1939	6/	6/	6/	6/	6/	11,872	8/	5/	475,889

1/ Negligible imports of unginned cotton (over two-thirds seed by weight) are not included in this table.

2/ Includes India prior to 1930.

3/ Statistics represent exports from Korea to Japan.

4/ Includes Manchuria.

5/ Not available for 1931.

6/ Includes Korea.

Table 5.- Cotton, ginned: ^{1/} General imports into Japan proper, ratio by principal sources, 1928-39

Year	British Indie ^{2/}	United States	Egypt	Brasil	China	Korea ^{3/}	Manchukuo	All other countries	Total all countries
Percent of total quantity									
1928	46.8	39.3	1.8	-	4/ 3/ 10.5	1.1	5/ 4/	0.5	100.0
1929	47.3	41.2	2.1	-	4/ 3/ 7.1	1.1	5/ 4/	1.2	100.0
1930	48.6	40.0	1.9	-	4/ 3/ 7.2	1.8	5/ 4/	.5	100.0
1931	42.8	47.4	2.6	-	4/ 3/ 6.4	.7	5/ 4/	.1	100.0
1932	21.4	71.1	2.6	-	4.1	.7	5/ 4/	.1	100.0
Annual average, 1928-32	40.4	48.9	2.2	-	6.9	1.1	5/	.5	100.0
1933	31.6	59.0	2.2	7/	4.5	1.1	7/	1.6	100.0
1934	42.4	47.4	4.0	.2	2.4	1.1	7/	2.5	100.0
1935	41.8	46.2	4.3	.3	3.4	1.8	.1	2.1	100.0
1936	43.8	38.6	2.9	4.6	3.0	1.3	7/ 5/	5.8	100.0
1937	50.8	30.6	4.8	6.1	2.9	1.0	7/ 5/	3.8	100.0
Annual average, 1933-37	42.3	43.9	3.7	2.4	3.2	1.2	7/ 5/	3.3	100.0
1938	32.7	34.3	4.3	8.8	15.1	1.5	7/ 5/	3.3	100.0
1939	8/ 33.1	8/ 28.1	8/ 5.6	8/ 13.1	8/ 10.6	1.6	7/ 5/	7.9	100.0
Percent of total value									
1928	41.8	44.3	3.2	-	4/ 3/ 8.9	1.1	5/ 4/	.7	100.0
1929	39.9	47.8	3.8	-	4/ 3/ 5.8	1.1	5/ 4/	1.6	100.0
1930	40.0	47.9	3.4	-	4/ 3/ 6.0	2.0	5/ 4/	.7	100.0
1931	37.9	51.4	3.9	-	4/ 3/ 5.8	.9	5/ 4/	.1	100.0
1932	20.4	71.1	3.4	-	4.2	.8	5/ 4/	.1	100.0
Annual average, 1928-32	36.2	52.1	3.5	-	6.3	1.2	5/ 3/	.7	100.0
1933	27.6	62.5	3.1	7/	4.0	1.1	7/	1.7	100.0
1934	34.2	54.2	5.4	.3	2.1	1.1	7/	2.7	100.0
1935	35.6	51.2	5.9	.3	2.8	1.9	.1	2.2	100.0
1936	36.6	43.3	4.2	5.2	2.6	1.3	7/	6.8	100.0
1937	42.4	35.7	6.8	6.6	2.7	1.0	7/	4.8	100.0
Annual average, 1933-37	35.8	48.3	5.2	2.8	2.8	1.3	7/	3.8	100.0
1938	25.5	37.5	6.2	9.3	16.1	1.8	7/	3.6	100.0
1939	6/	6/	6/	6/	6/	2.5	6/	6/	100.0

1/ to 6/ -See table .
 7/ Less than 0.05 percent.
 8/ See table .

Source: Based on data in table

Trend of raw cotton imports

During the 5 years 1928-32 imports of raw cotton into Japan proper averaged 10.9 million piculs and in the next 5 years, 13.6 million piculs, as shown in table 4. Imports in 1928, the year with which tables in this series begin, were 9.8 million piculs, or less than the annual average of 11.8 million piculs for the 3 years 1925-27. The cotton manufacturing industry had been unfavorably affected in 1928 by the failure of an important Japanese banking house and by the increase in the Indian tariff on coarse cotton yarn, which had become effective in September 1927. Improved domestic and export trade in cotton manufactures was reflected in increased imports of raw cotton in 1929.

In 1930 the export market was adversely influenced by the boycotting of foreign goods in India; by increased tariffs in India, Australia, Egypt, and other markets, and by the resumption on January 11, 1930, of the gold standard for Japanese money, which had been abandoned September 12, 1917. Bankers had advocated return to the gold standard but industrialists were apprehensive over the impact of deflation on business. Partly owing to psychological reaction, mill consumption of cotton declined appreciably in 1930, and imports also diminished.

In 1931 production in the cotton spinning industry was raised above the 1930 level by active home demand. Exports of cotton manufactures, however, were the lowest (in quantity) for any year in the period 1928-39 because of the Chinese boycott of Japanese goods, especially after the "Manchurian incident" in September 1931. Japanese exports were affected not only in China but throughout the Far East where Chinese merchants controlled a large part of the trade. In late September 1931 the British pound sterling was taken off the gold standard, giving Lancashire spinners an advantage over the Japanese in export markets. Under pressure from various groups, including cotton spinners who disliked deflation and the Army who disliked the financial retrenchment of a cabinet following a deflation policy, there was a cabinet change in Japan. On December 13, 1931 the yen followed the pound off gold. Foreknowledge of the Government's action occasioned a rush during the autumn months to purchase cotton before the yen was depreciated. This resulted in an increase in imports of cotton in 1931, but most of these speculative purchases did not arrive until after the turn of the year bringing the quantity imported in 1932 to the then record total of 12.8 million piculs. These purchases of cotton, far beyond immediate mill needs, were an extremely lucky investment for Japan. They were made on a gold-yen basis at low world cotton prices and later, converted into goods, were sold in foreign markets on a gold value basis. In the meantime the price of cotton on a gold value basis had greatly advanced.

The cumulative effect of this fortunate cotton purchasing helped greatly to mitigate the depression of the 1930's for the Japanese cotton industry. With good profits, Japanese manufacturers were able to expand their export trade at low prices. To supply this expanding trade

Japanese imports of raw cotton increased to a maximum of 15.4 million piculs in 1936. Thereafter, Japanese exports of cotton manufactures were checked by foreign tariffs and quotas in export markets and Japanese imports of raw cotton were under Government control of one form or another. Raw cotton imports in 1938 were reduced to 9.5 million piculs, only about 62 percent of the quantity imported in 1936.

There was an increase to 10.2 million piculs in 1939 as a result of an improvement in the method of Government control, of a desire to accumulate stocks before sources of supply were shut off by war and to take advantage of the United States export subsidy introduced July 27, 1939. Most of the cotton purchased under the United States export subsidy arrived in the early part of 1940. Total cotton imports are estimated to have been about 7 million piculs in 1940 and considerably less in 1941. Exports from Peru to Japan increased greatly in 1941 and those from Brazil remained substantial, but they did not compensate for the reduced takings of American and Indian cottons. Very little cotton was available to Japan after 1941, though strenuous efforts were made toward increasing cotton cultivation in occupied areas.

Sources of imports

In each of the years from 1928 to 1935, inclusive, India and the United States together supplied nearly 90 percent of the total quantity of raw cotton imported into Japan; over that period approximately 50 percent came from the United States and 40 percent from India. They supplied, however, only 66 percent in 1938 and 62 percent in 1939. Egypt's share increased from an average of about 2 percent in the years 1928-32 to nearly 6 percent in 1939; China's share from an average of 7 percent in the earlier period to nearly 11 percent in 1939, having reached 15 percent in 1938; and Brazil's relative gains were from 0.3 percent of the total in 1935 to about 13 percent in 1939.^{1/} (See tables 4 and 5.)

Over a long period of time the share of Indian cotton in total imports of cotton into Japan decreased and of American-type cotton increased as finer yarns became a larger part of total production. Within any given year, however, the proportions of Indian and of American cotton imported were much affected by price differences. In 1929, for example, 5,136,000 piculs of Indian cotton and only 4,485,000 piculs of American cotton were imported, but the price of Indian cotton in Japan was only 68 percent of the price of American cotton; in 1932, when Indian cotton was quoted at 98 percent of the price of American, the order of imports was sharply reversed, American cotton amounting to 9,103,000 piculs and Indian cotton to only 2,741,000 piculs. Table 6 indicates that as the price of Indian cotton approached the price of American cotton, larger quantities of American cotton were used to make coarse yarns which technically could be made from Indian cotton. In 1936, which appears to have been an exception, large stocks of Indian cotton purchased at low prices in the previous year were on hand in Japan and in that year, also, large quantities of American-type cotton were imported from the newer producing areas, particularly Brazil and East Africa.

^{1/} Ratios for 1939 are based on estimates of quantity supplied by the Office of Foreign Agricultural Relations, U. S. Department of Agriculture.

Table 6.- Apparent consumption of American cotton in yarns 22s and coarser, in Japan and the relation of the price of Indian cotton to the price of American cotton in Japan

Year	: Apparent consumption : of American cotton : in yarns 22s or : coarser : 1,000 piculs	: Price of Indian : cotton relative : to American in : Japan 1/ : Percent
1930 -----	242	68
1931 -----	890	77
1932 -----	3,002	98
1933 -----	2,059	37
1934 -----	1,505	81
1935 -----	922	77
1936 -----	-	80

1/ Indian Accla, 5/8 to 3/4 inch relative to American Midling 7/8 inch; prices are averages for crop years beginning 5 months before the beginning of the calendar year on which consumption data are based.

Source: Consumption calculated from data of the Japan Cotton Spinners' Association; price relation based on prices from U. S. Bureau of Agriculture Economics, Cotton Statistics and Related Data, (1939).

In 1932 of the total of 12.8 million piculs imported into Japan, 9 million piculs were American cotton because an exceedingly large American crop (1931) coincided with a short Indian crop which was said to have been made even shorter by speculative withholdings from the market. In that year the price of American cotton, both actually and in relation to Indian cotton, was the lowest since before World War I. American currency, moreover, appeared a safer speculation than Indian currency which was tied to the devalued British pound sterling.

The opposite result was created by the foreign exchange situation in 1937. In that year, although the price of American cotton, affected by the largest crop on record, was lower in relation to foreign cottons than in previous years, imports into Japan from the United States were much smaller. Imports from India were the largest on record. The Japanese Government, controlling foreign exchange in that year, deliberately retained as much dollar exchange as possible for war materials and materials for heavy industry; whereas rupee exchange, provided through the export of textiles to India, could not so readily be used for similar materials.

Table 7.- Raw cotton: United States exports to Japan, total
United States exports and ratio of exports to Japan to
total, 1928-39-Quantity

Period	United States exports of cotton				Period	United States exports of cotton			
	To	Total (to	Ratio			To	Total (to	Ratio	
	Japan	all	of			Japan	all	of	
		countries)	Japan				countries)	Japan	
		to total					to total		
		1,000 bales (500 lb.)					1,000 bales (500 lb.)	Percent	
1928	1,283	8,944	14		1933	1,900	8,823	22	
1929	1,135	7,770	15		1934	1,813	6,058	30	
1930	941	6,844	14		1935	1,586	6,169	26	
1931	1,828	7,206	25		1936	1,410	5,621	25	
1932	2,357	9,429	25		1937	925	6,070	15	
Annual average,					Annual				
1928-32	1,509	8,038	19		average,				
					1933-37	1,527	6,548	23	
					1938	1,069	4,577	23	
					1939	854	4,809	18	

Source: Official statistics of the United States Department of Commerce.

Egyptian cotton.--Imports of Egyptian cotton into Japan about doubled in the 5 years 1933-37 compared with the preceding 5 years, yet averaged less than one-half million piculs in the later period. The increase was owing in part to a trend toward finer yarn production, but also to Government controls of exchange with the two-fold object of maintaining an export market for Japanese cotton cloth in Egypt and purchasing cotton in the sterling bloc areas. At the maximum, exports to Japan were only about 10 percent of the total exports of cotton (in quantity) from Egypt.

Brazilian cotton.--Brazilian cotton first appeared in substantial quantity in the Japanese market in 1936 when 708,000 piculs were imported. A Japanese mission which went to Brazil in 1935 to increase reciprocal trade in raw cotton and cotton cloth failed to achieve immediate results because of the overwhelming influence of the Germans in the Brazilian market in 1935. In 1936, though not in all succeeding years, exports from Brazil to Japan exceeded those to Germany. The price of Brazilian compared with American cotton, the desire to diversify sources, interest in expanding exports to Brazil and interest in the large Japanese colony in the Brazilian State of Sao Paulo, stimulated concerted effort to obtain Brazilian cotton for Japan. With the establishment of marketing arrangements cotton began to flow from Brazil to Japan. In June of 1936 it was reported that ships between Brazil and Japan were loaded to capacity with cotton and that extra ships were chartered for this trade. Imports of Brazilian cotton into Japan increased to an estimated maximum of 1.3 million piculs in 1939. In that year Japan took 24 percent of the total quantity of cotton exported from Brazil. Exports to Japan, though reduced, continued substantial in 1940 and 1941.

spinners and the merchants, between small firms and large firms. No group was satisfied. Committee followed committee and scheme followed scheme. After a change of cabinet all existing rules relating to cotton were abolished. In their stead, effective July 1, 1938, new controls were imposed, linking imports of raw cotton directly to exports of cotton manufactures. No cotton, except for special purposes, was to be used in goods for the domestic market. Because of difficulties encountered in linking cotton imports and exports on a quantity basis, the link system was changed to a value basis early in 1939.

Stricter Government control, mainly through trade organizations, was exercised in 1940 and price-fixing was resumed. More direct control, however, was desired by the Government. By March 1941, all spinners had been forced into 14 blocs or groups of mills. The merchants held out somewhat longer against enforced amalgamation. In July 1941 after strenuous opposition from the Japan Cotton Merchants' Union and also from the Spinners' Association, which wanted a dominating position, two organizations were formed. The Cotton Control Council functioned on fundamental policies; and the Cotton Import Control Company, under the direction of the Ministry of Commerce and Industry, was responsible for importing and distributing raw cotton. Many merchants were entirely deprived of business and the remainder operated solely on a commission basis. By 1940 shortage of shipping space had become acute and tonnage was finally allocated by the Government. In these allocations, Indian, Brazilian and Peruvian cotton were most favored; very little cotton was imported from the United States after about August 1940, except cotton from Arizona and California.

Long before the Government assumed control of cotton imports, the Japanese, through official channels, were endeavoring to lessen Japan's dependence on India and the United States by increasing cotton growing in Japanese spheres of influence and by purchasing in other countries. The importance of cotton in the Japanese scheme of expansion was manifested by the broad and elaborate Government plans for increasing cotton growing in North China, Manchuria, Korea, the Philippine Islands and even in the Netherlands Indies. Their greatest and most immediate efforts were directed to North China.^{1/} Detailed Japanese plans for growing cotton in North China were formulated many years before the "China Incident."

The Japanese Government sanctioned and assisted schemes for colonization by Japanese in Brazil and other South American countries, in the Netherlands East Indies and elsewhere in the Far East. Cotton-growing was one of the principal objectives of these colonies. Particular success attended the large scale operations in Brazil. In the Brazilian state of Sao Paulo it was estimated (1939) that 10 percent of the cotton cultivators operating nearly one-fourth the cotton acreage were Japanese. As early as 1935, the Japanese Government showed a definite interest in replacing United States-grown cotton by Brazilian. They hoped to strengthen their South American markets for cotton textiles and other manufactures and to assist the Japanese colonists. By 1936 they were moreover able to purchase Brazilian cotton (American-type) below the price of cotton in the United States. Transactions were conducted through semi-official firms. The Japanese Government facilitated arrangements for currency exchange and for transportation.

^{1/} Detailed plans are given in 1939-40 issue of the Japan Year Book, pp. 472-74.

Table 8.- Raw cotton: Consumption in Japan proper, calculated total amount reported by the Japan Cotton Spinners' Association, and other consumption, 1928-40

(In 1,000 piculs ^{1/})						
Year	Total apparent consumption ^{2/}	Reported by Associ- ation ^{3/}	Other	Ratio to total		
				By	Associ- ation	Other
				Percent	Percent	Percent
1928	9,687.3	8,620.0	1,067.3	89.0	11.0	
1929	11,284.3	9,855.0	1,429.3	87.3	12.7	
1930	9,799.5	8,853.0	946.5	90.3	9.7	
1931	9,952.9	9,084.0	868.9	91.3	8.7	
1932	11,140.9	9,773.0	1,367.9	87.7	12.3	
Average	10,373.0	9,237.0	1,136.0	89.0	11.0	
1933	11,399.7	10,728.0	671.7	94.1	5.9	
1934	12,257.1	12,076.0	181.1	98.5	1.5	
1935	13,393.1	12,520.0	873.1	93.5	6.5	
1936	13,081.8	12,670.0	411.8	96.9	3.1	
1937	^{3/} 14,287.9	13,845.0	^{3/} 442.9	^{3/} 96.9	^{3/} 3.1	
Average	12,883.9	12,367.8	516.1	96.0	4.0	
1938	^{3/} 10,209.5	9,893.0	^{3/} 316.5	^{3/} 96.9	^{3/} 3.1	
1939	^{3/} 9,489.2	9,195.0	^{3/} 294.2	^{3/} 96.9	^{3/} 3.1	
1940	^{4/}	^{5/} 6,511.0	^{4/}	^{4/}	^{4/}	

^{1/} One picul = 133.2277 pounds or 0.2767 bale of 478 pounds, net weight.

^{2/} Calculated from stocks, production, imports, and reexports. Calculated consumption is shown in bales in table 1.

^{3/} Calculated by assuming the percentage reported to the Association to have been the same as in 1936. Data on stocks were not made public in 1937 and later years.

^{4/} Not available.

^{5/} Ten months, January-October 1940.

Two appended tables follow. Table 11 shows raw cotton imports, apparent total consumption of raw cotton, raw cotton-equivalent in manufactures exported and in those retained for final consumption, raw cotton-equivalent of imported yarn and cloth and total raw cotton-equivalent retained for final consumption in Japan proper expressed in million pounds for convenience in use with other statistics. Table 12 shows the total merchandise trade of the United States with Japan and the position of raw cotton in total exports from the United States to Japan.

Table 11.- Raw cotton in Japan proper: Summary of supply and distribution,^{1/} 1929-40, with annual averages 1928-32 and 1933-37

(In million pounds ^{2/})

Period	Im-ports ^{2/}	Reex-ports ^{4/}	Total ^{5/}	In manu-factures exported	In manu-factures retained	Raw cotton-equivalent of imported yarn and cloth	Total re-tained avail-able for final con-sumption
1928 -----	1,302	25	1,281	609	672	6	678
1929 -----	1,439	22	1,493	725	768	7	775
1930 -----	1,286	22	1,296	657	639	8	647
1931 -----	1,484	25	1,317	582	735	60	795
1932 -----	1,693	42	1,474	843	631	17	648
Annual av.:							
1928-32 :	1,441	27	1,372	683	689	20	709
1933 -----	1,667	20	1,508	855	653	19	672
1934 -----	1,809	23	1,621	1,048	573	27	600
1935 -----	1,649	33	1,772	1,116	656	10	666
1936 -----	2,032	37	1,730	1,109	621	9	630
1937 -----	1,828	33	1,890	1,097	679	13	686
Annual av.:							
1933-37 :	1,797	29	1,704	1,045	659	16	675
1938 -----	1,254	3	1,350	882	648	5	643
1939 -----	1,354	7	1,255	996	629	10	629
1940 -----	8/884	7/	-	-	-	-	-

^{1/} Production is not here shown as in every year it was less than one-half million pounds. Production in 1,000 bales shown in table 1.

^{2/} Converted from piculs at 132.277 pounds to 1 picul. [PURL: http://www.legal-tools.org/doc/e33cb4/](http://www.legal-tools.org/doc/e33cb4/)

^{3/} Includes imports from Empire areas (shipments from Korea to Japan included).

^{4/} Includes shipments of raw cotton and cotton wadding to Korea.

^{5/} Calculated from stocks (see table 1), production, imports and re-exports of raw cotton.

^{6/} Calculated. See note (3) table 8.

^{7/} Less than one-half million pounds.

^{8/} Eleven months, January-November.

Source: See table 1.